

Karoon to seek FPSO for Echidna and Kangaroo



Flaring up: the semi-submersible Olinda Star drilled the Echidna and Kangaroo oil discoveries off Brazil for Karoon Gas

KAROON GAS

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Australian player set to launch tender for floater to produce from discoveries in Santos basin off Brazil

Australia-based Karoon Gas is preparing to launch a tender within the next few months for the charter of a mid-sized floating production, storage and offloading vessel to develop a cluster of shallow-water discoveries off Brazil.

According to well-informed sources, floater contractors that are expected to be invited to bid have already signed non-disclosure agreements with Karoon in an attempt to keep information on the tender under wraps.

Sources told Upstream that floater companies such as Modec International, SBM Offshore, BW Offshore, Bumi Armada, Bluewater, Teekay Offshore and Petroserv will likely be summoned to participate in the competition.

Word is that Karoon is seeking an existing FPSO with capacity to handle between 40,000 and 80,000 barrels per day of oil to produce from its Echidna and Kangaroo discoveries in the Santos basin.

Upstream understands that Karoon has entered a final preparation phase before issuing an invitation to tender.

One source suggested that the invitations may hit the streets as early as August. "It is very difficult to predict exactly when Karoon will go to the market. There were rumours the company would issue the tender a bit earlier, but it appears they will finally proceed with the bidding later this year," said another source.

WorleyParsons and its subsidiary Intecsea carried out pre-front-end engineering and design studies for Karoon in 2014 to come up with potential development solutions for the area.

The most likely scenario calls for Karoon to charter an existing FPSO for a period of up to three years, renewable for the same timeframe, and begin oil output from Echidna in 2019 via an early production system.

The plan on the table is to initially link two horizontal oil producing wells from Echidna, each expected to produce about 10,000 bpd, and one gas injection well through flexible lines to the chartered FPSO.

Full commercial production is then eyed for the fourth quarter of 2021 with the same floater, and with the number of oil producers increasing to as many as 13 wells from the joint Echidna-Kangaroo complex.

Oil at both Echidna and Kangaroo has no contaminants such as carbon dioxide or hydrogen sulphide, so Karoon does not anticipate the need for major modifications on an existing floater to be contracted.

A test carried out at Echidna a year ago showed the well flowed at a facility-constrained rate of 4650 barrels per day of oil equivalent. Crude was rated at 38.6 degrees API.

Karoon operates the blocks where the two discoveries are located with a 65% stake. It is partnered by Pacific E&P with the remaining 35%.

However, the Canadian oil company filed for bankruptcy protection in late April.

"It is worth noting that Pacific E&P is facing financial problems and has recently begun restructuring, so that is probably the reason why Karoon is taking a little longer to issue the tender," said another source.

Karoon recently signalled that it has no reason to believe that the work programme for Echidna and Kangaroo will be affected by the restructuring at Pacific E&P.

Karoon ended the first quarter of 2016 with A\$476.9 million (US\$345.4 million) in cash reserves and no debt.